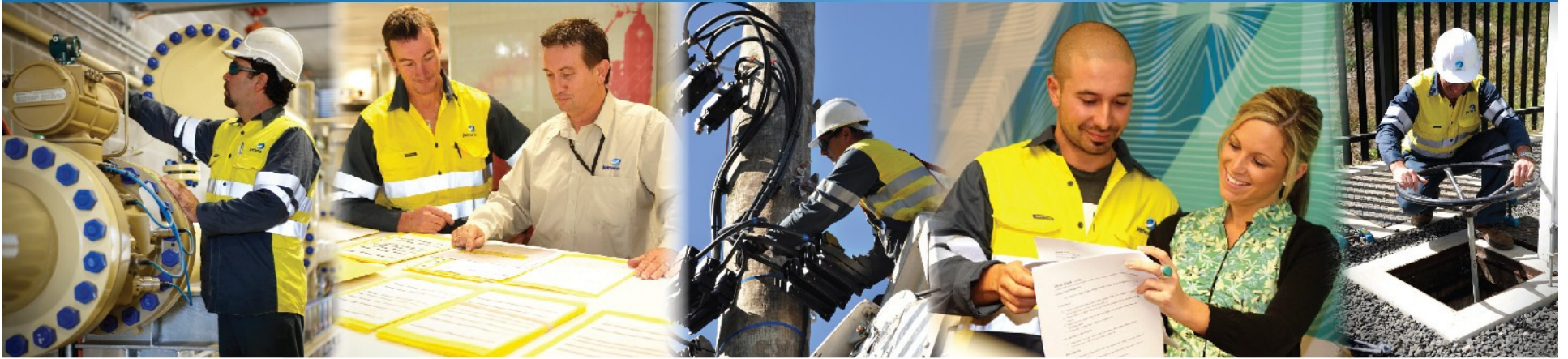




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Jemena Gas Networks

AER meeting 26 September 2013



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Agenda

1. Marketing and network development
2. Draft network capex program



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1. Marketing and network development



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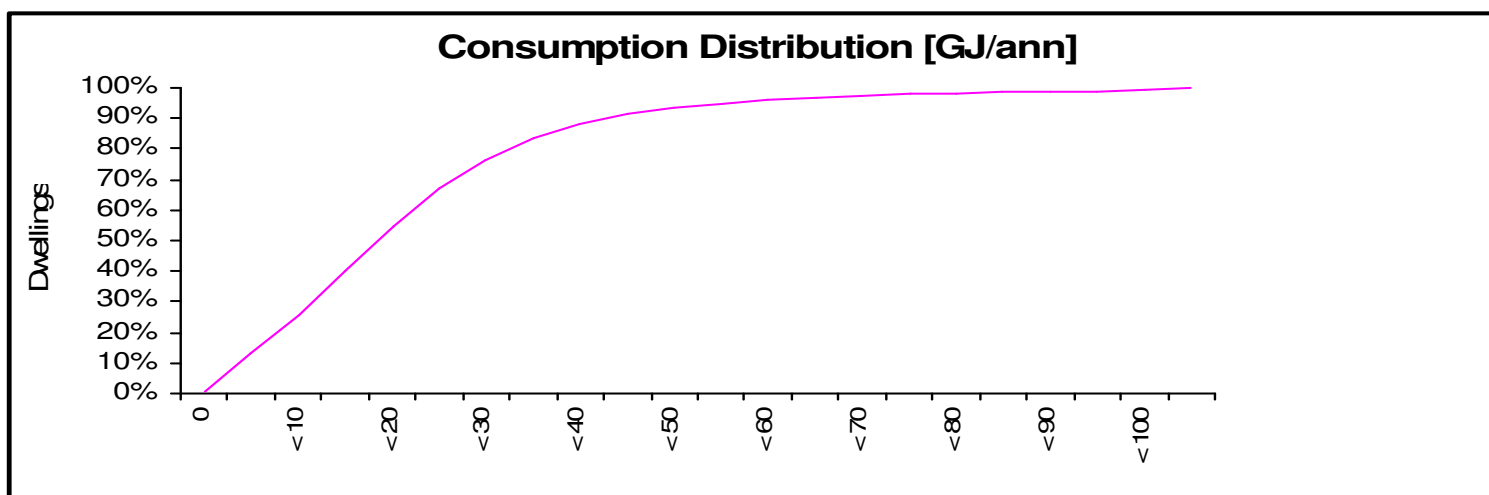
Network development

- 4 main areas of network development:
 - Electricity to Gas (E to G)
 - Line of main
 - Infill
 - New homes
 - Industrial & Commercial
 - Medium Density
- JGN's marketing campaign focuses on E to G connections
 - Increases efficient utilisation of network... supports consumer's long term interests and therefore the National Gas Objective



NSW average residential consumption is low **Jemena** compared to Networks in colder markets

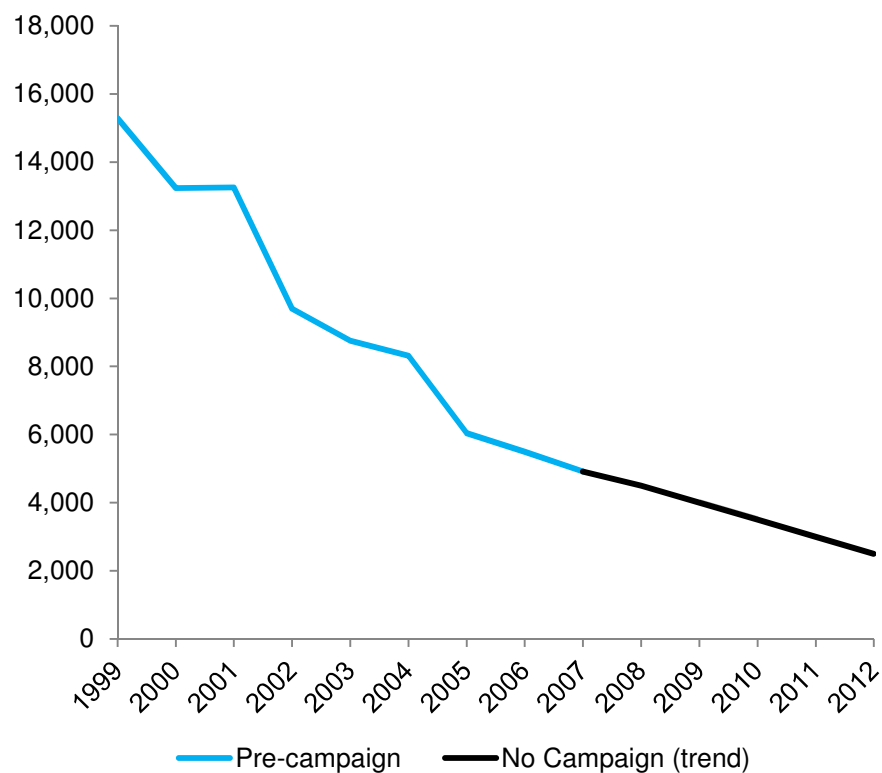
- NSW Residential Market is dominated by mild coastal regions - Sydney, Newcastle and Wollongong - gas is not seen as an “essential” service
- Just over 70% of homes with gas available to them choose to connect
- Many pockets don't have gas available
- Average annual residential consumption is 20GJ per site
- 25% of residential sites consume less than 10 GJ



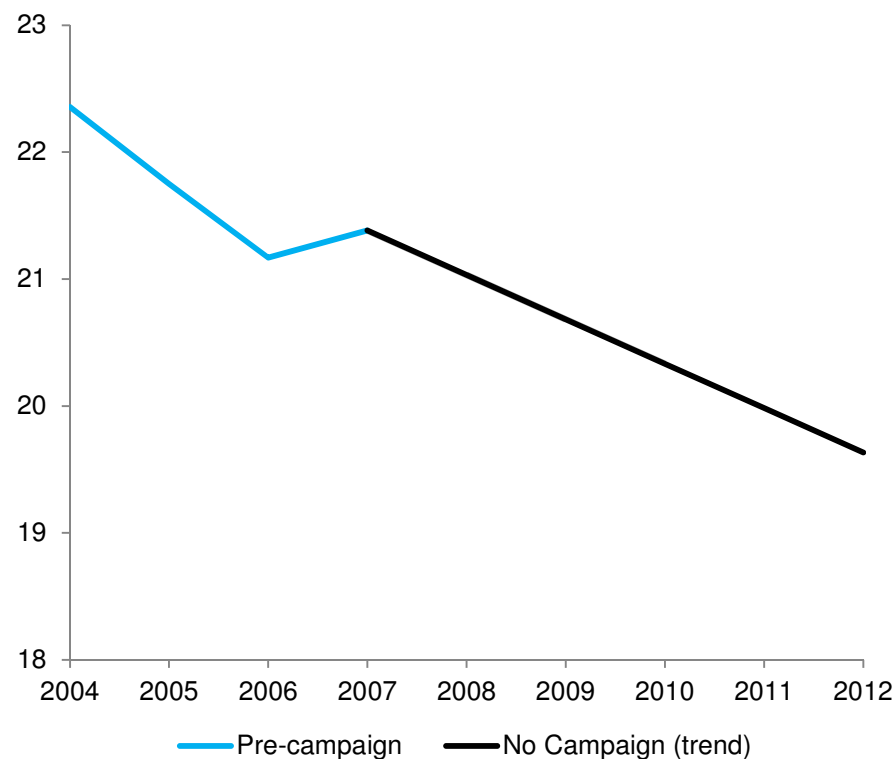


Observed/forecast trends

**Existing premises (all electric)
connecting to gas**



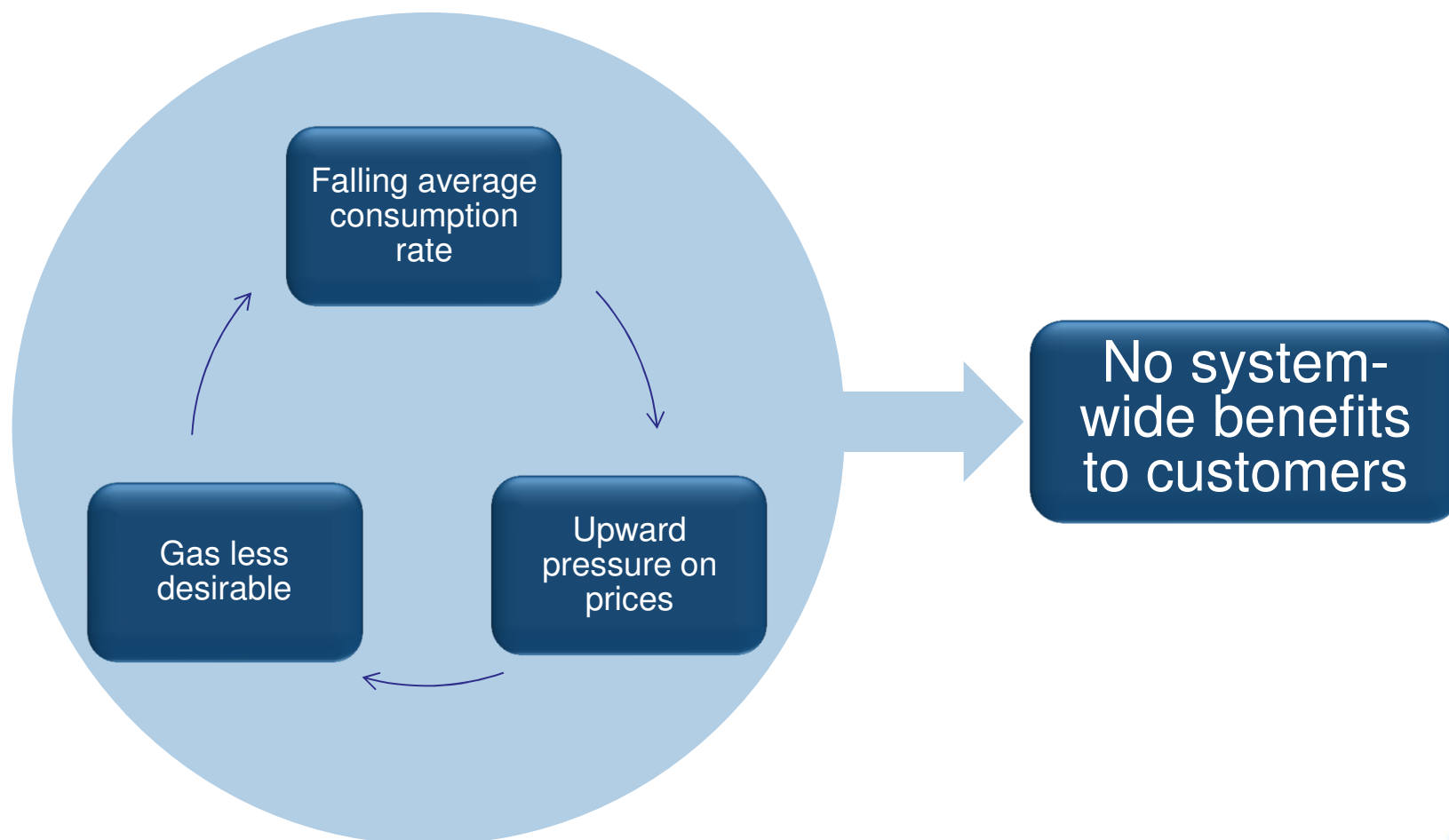
Average Residential Load (GJ)





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The 'do nothing' scenario impact





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In summary...

- Market relies on two core products – hot water and heating - both under pressure
- Outcome is declining average load per site
- Problem compounded by declining average load of new connections
- Marketing arrangements with retailers since FRC have failed to focus their activity on load growth.

It has always been necessary to actively develop the gas market in NSW... continued active management of network development remains a key priority.



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Jemena strategies for growing the NSW Natural Gas Market

1

Promote the benefits of Natural Gas directly to end customers

2

Develop an interactive website that provides customers with information about Natural Gas, gas availability, appliances, hot deals or specials that are available

3

Establish Alliance Partnerships with organisations who have aligned interests in growing Natural Gas appliance sales and installations

4

Make connecting to the gas network easier and more affordable



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The Brand

 ***Natural Gas.*** *The Natural Choice.*



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Historical funding for marketing

The table below shows the regulatory allowance for marketing over the 2010-15 access arrangement (**AA**) period

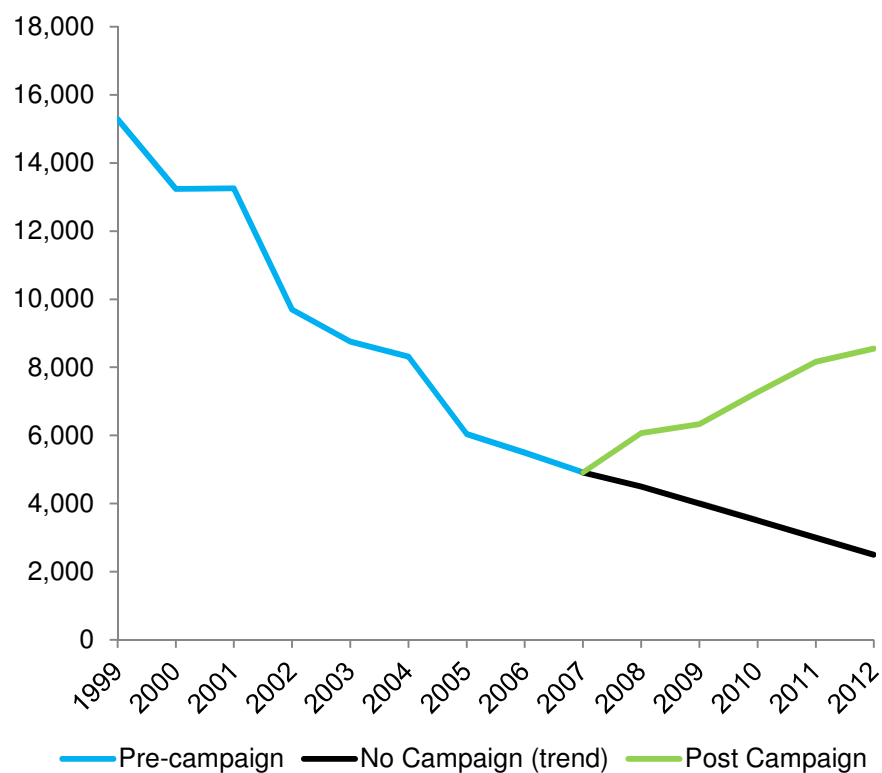
	2011 RY	2012 RY	2013 RY	2014 RY	2015 RY	Total
Regulatory Allowance (2010-2015 AA)	6.87	7.08	7.23	7.45	7.65	36.28



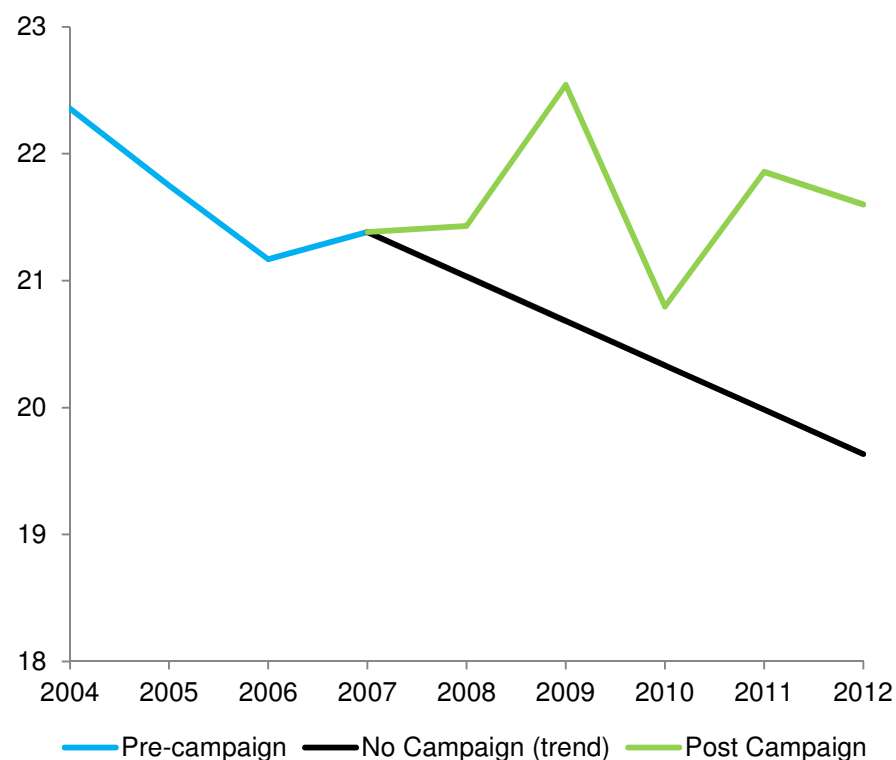
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Natural Gas. The Natural Choice

**Existing premises (all electric)
connecting to gas**



Average Residential Load (GJ)





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2. Draft network capex program



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Distribution Capex Program Development Governance

Individual Projects

Identification

- By all Asset Class Owners
- Review

Technical Solutions

- Cross-functional team(s)
- Documentation
- Review & Approval

Project Delivery

- deliverability,
schedule,
cost.

- Cross-functional team(s)
- Delivery, Schedule, Cost
- Review & Approval

Program Level

Program Delivery

- deliverability,
schedule.

- Cross-functional team(s)
- Schedule/levelling:
- Review & Approval



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Examples of Key Projects

- Kensington Rehabilitation Project
- Northern Sydney Capacity Strategy
- New Supply to Sydney Hub





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Kensington Rehabilitation Project

- Drivers
 - Limited capacity – volume and pressure
 - Integrity – safety, design/operating philosophy
- Generic Options
 - Do nothing – limit growth, increasing opex
 - Minor capital works – main by main, service by service
 - Staged approach
 - Full Implementation
- Status
 - 6 Staged approach – 50% in AA2010
 - Complete in AA2015





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Northern Sydney Supply

- Drivers

- Network constraints – Primary & Secondary network
 - Recent pressure trending, growth in council areas, market forecasts
- Security of supply
 - Reliance on Parramatta River Crossing

- History

- Wakehurst Parkway (medium pressure, secondary constraint)
- Lane Cove PRS (primary constraint)

- Assessment

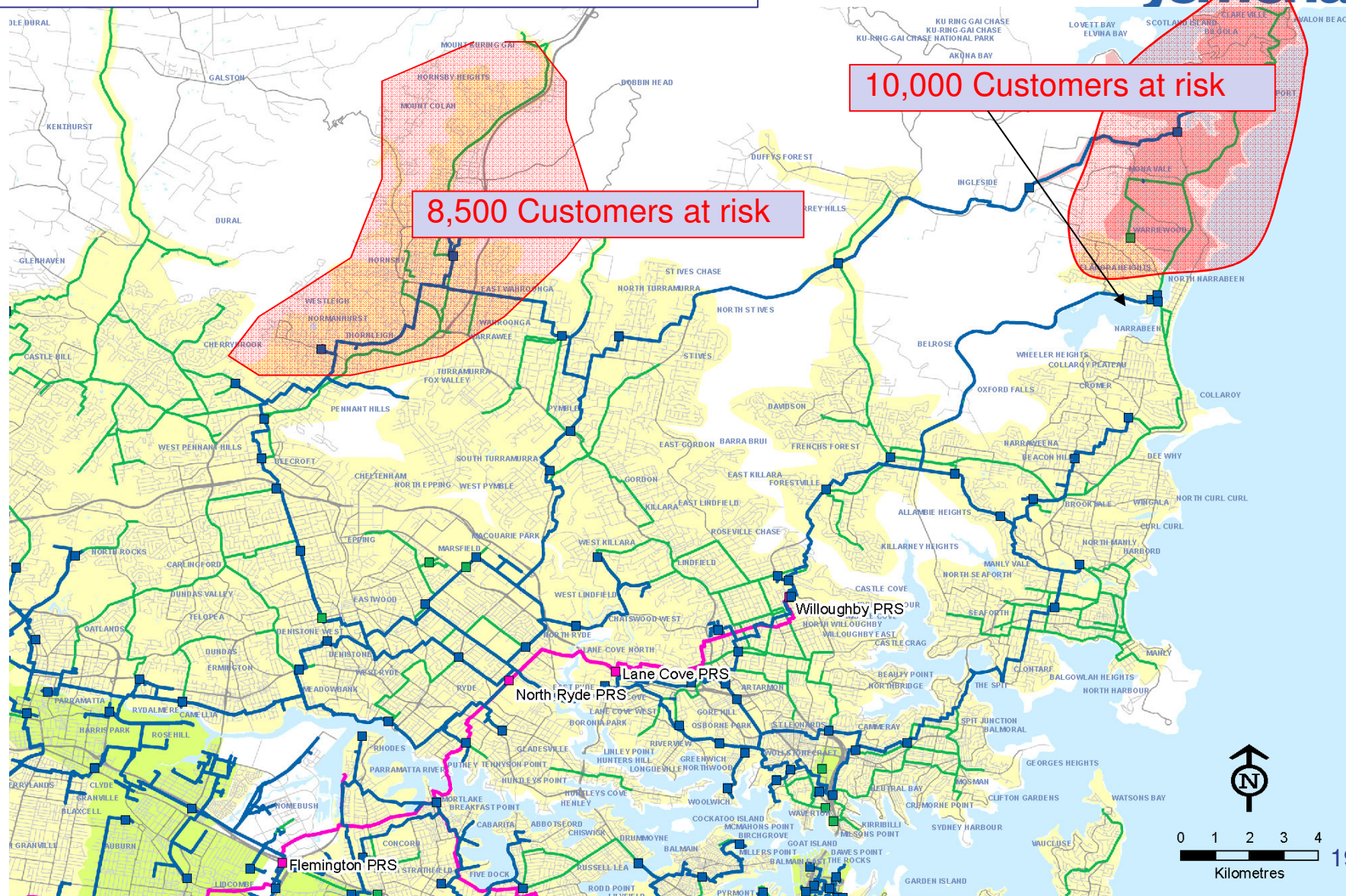
- Identification of options
- Route review, Preliminary costs, Benefits, Stakeholder interests

- Recommendations

Northern Sydney Supply



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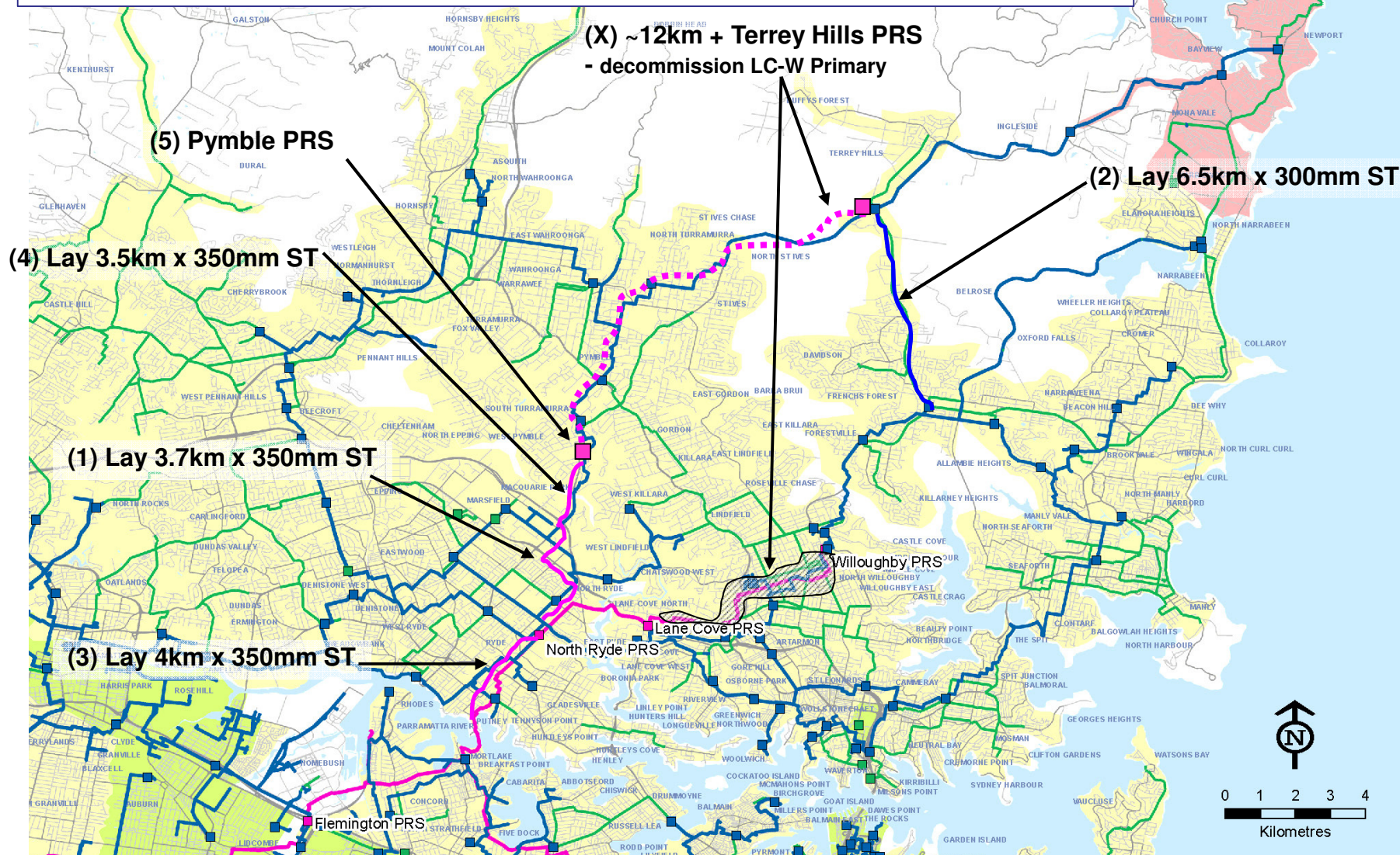
Northern Sydney Supply Options

I	Forest Glen TRS – Pennant Hills – Pymble PRS
II	Windsor – Pennant Hills – Pymble PRS
III *	North Ryde – Putney – Pymble PRS
IV	Duplicate existing Primary & Secondary
V	Compressor, Primary & Secondary



Northern Sydney Supply [Option III]

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Northern Sydney Supply: Challenges

- Long lead activity planning
- Stakeholder management
- Land acquisition, esp for High Pressure facilities
- Route selection vs constructability vs environmental
- Scheduling/staging/optimisation
- Cost estimation over time





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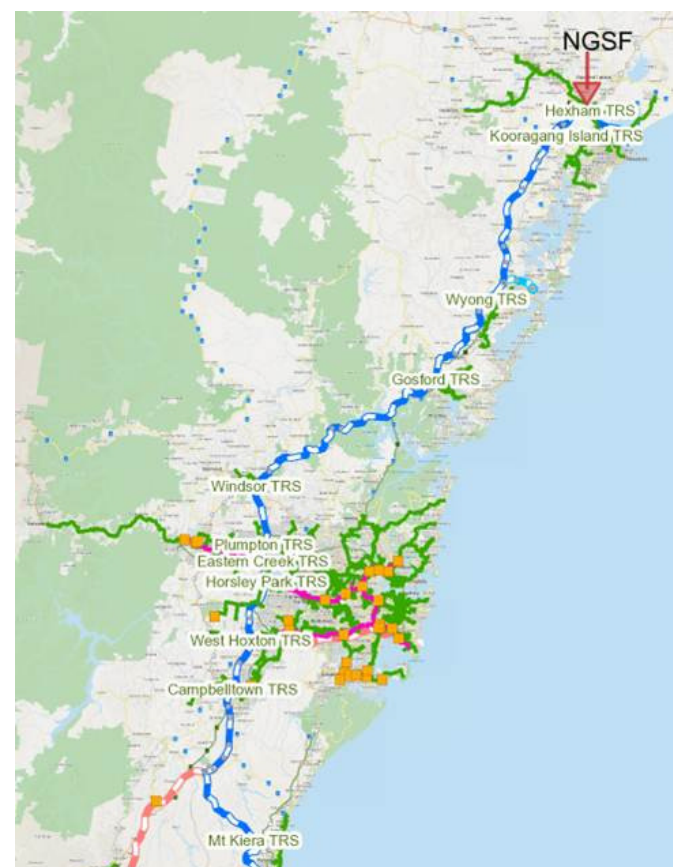
New Supply to Sydney Hub

- Drivers

- Several parties proposing new supply to Sydney hub from North
- Various levels of progress
- Staged increases subject to externally driven factors

- Effect

- Change in operating conditions for Trunk 'hub'
- Various capital projects to enable safe and reliable supply for total market





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Overall Program

- Status

- Basis is JGN AMP
- Extending AMP to 7yrs
- Developing cost estimates
- Confirming volumes

- Next steps

- De-conflicting projects/sub-programs
- Deliverability
- Governance overlay
- Board approval



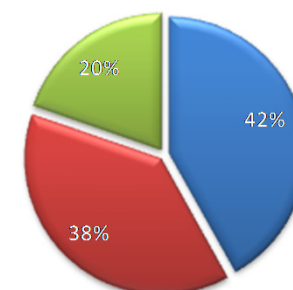


Draft capex program – points of interest

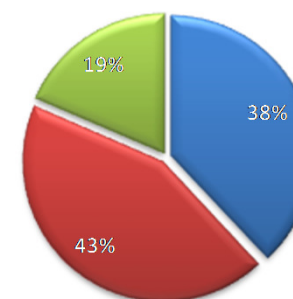
- Market expansion
 - Augment understanding of growth, demand
- Reinforcement, renewal & replacement
 - Mains Replacement Program following patterns of previous periods
 - Meter replacement increase due to ‘end-of-life’ commencement of hot water end-of-life

Draft total capex

**RY 10-15
average
(Actual &
Forecast)**



**RY 16-20
average
(Forecast)**



- Market expansion
- Reinforcement, renewal, and replacement
- Non System